

Mennonite Economic Development Associates

Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)



Independent auditor's report

To the Members of Mennonite Economic Development Associates

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mennonite Economic Development Associates (the Company) as at June 30, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at June 30, 2020;
- the consolidated statement of operations and changes in unrestricted net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
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Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
October 6, 2020

Mennonite Economic Development Associates

Consolidated Balance Sheet

As at June 30, 2020

(expressed in U.S. dollars)

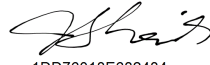
	2020 \$	2019 \$
Assets (note 13)		
Current assets		
Cash and short-term deposits (note 3)	18,817,259	17,892,517
Accounts receivable	699,922	1,300,888
Advances to MEDA Country Programs and partners (note 4)	878,229	1,327,725
Work in progress	127,331	14,982
Prepaid expenses	149,170	227,635
Current portion of loans receivable (note 5)	396,441	3,892,107
	21,068,352	24,655,854
Non-current assets		
Loans receivable (note 5)	2,546,913	3,682,839
Investments (note 6)	18,119,534	18,559,095
Capital assets (note 7)	1,234,289	1,406,657
	21,900,736	23,648,591
	42,969,088	48,304,445
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	861,831	1,458,749
Deferred contributions (note 8)	264,941	304,613
Deferred grants and contracts	10,865,616	11,909,361
Due to MEDA Country Programs and partners (note 4)	88,770	25,575
Current portion of notes payable (note 9)	3,081,672	3,738,515
	15,162,830	17,436,813
Notes payable (note 9)	6,152,125	8,111,842
	21,314,955	25,548,655
Net Assets		
Unrestricted	21,654,133	22,755,790
	42,969,088	48,304,445
Contingencies and commitments (note 13)		

The accompanying notes are an integral part of these consolidated financial statements.

Mennonite Economic Development Associates
Consolidated Statement of Operations and Changes in Unrestricted Net Assets
For the year ended June 30, 2020

(expressed in U.S. dollars)

	2020	2019
	\$	\$
Revenues		
Grants and contracts	21,985,911	23,106,187
Contributions (note 8)	6,485,104	10,840,371
Consulting and program management fees	4,920,514	5,222,647
Realized investment income	591,924	387,781
Convention and tour fees	179,280	202,177
Other	260,296	109,771
	<u>34,423,029</u>	<u>39,868,934</u>
Expenses		
Development programs	29,768,957	30,900,360
Resource development	1,765,301	1,715,231
MEDA Risk Capital Fund	1,084,682	1,093,026
Constituency engagement	1,187,792	1,006,994
Unrealized investment loss (note 10)	1,431,921	1,199,860
Other (note 11)	286,033	106,668
	<u>35,524,686</u>	<u>36,022,139</u>
Excess of (expenses over revenues) revenues over expenses for the year	(1,101,657)	3,846,795
Unrestricted net assets – Beginning of year	<u>22,755,790</u>	<u>18,908,995</u>
Unrestricted net assets – End of year	<u>21,654,133</u>	<u>22,755,790</u>

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The accompanying notes are an integral part of these consolidated financial statements.

Mennonite Economic Development Associates

Consolidated Statement of Cash Flows

For the year ended June 30, 2020

(expressed in U.S. dollars)

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of (expenses over revenues) revenues over expenses for the year	(1,101,657)	3,846,795
Items not affecting cash		
Amortization of capital assets	289,861	247,054
Gain on sale of investments	(96,942)	-
Equity share of loss on investment	1,749,419	983,671
Loan loss (recovery) provision	(317,498)	217,617
Unrealized foreign exchange gain on notes payable	(239,867)	(14,100)
Unrealized foreign exchange loss (gain) on loans receivable	35,178	(1,933)
	<u>318,494</u>	<u>5,279,104</u>
Net change in non-cash working capital items	<u>(1,113,253)</u>	<u>(1,557,211)</u>
	<u>(794,759)</u>	<u>3,721,893</u>
Financing activities		
Advances of notes payable	655,205	1,972,590
Repayments of notes payable	(3,031,898)	(445,166)
Increase (decrease) in due to MEDA Country Programs and partners	63,195	(33,531)
	<u>(2,313,498)</u>	<u>1,493,893</u>
Investing activities		
Decrease in advances to MEDA Country Programs and partners	449,496	776,661
Issuance of new loans	(1,858,118)	(1,545,001)
Payment of loans	6,772,030	262,383
Purchase of capital assets	(117,493)	(799,150)
Proceeds on sale and distributions from investments	1,381,836	251,104
Purchase of investments	(2,594,752)	(4,260,188)
	<u>4,032,999</u>	<u>(5,314,191)</u>
Changes in cash and short-term deposits	<u>924,742</u>	<u>(98,405)</u>
Cash and short-term deposits – Beginning of year	<u>17,892,517</u>	<u>17,990,922</u>
Cash and short-term deposits – End of year	<u>18,817,259</u>	<u>17,892,517</u>
Supplemental disclosure of cash flow information		
Net interest received	67,731	12,169

The accompanying notes are an integral part of these consolidated financial statements.

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

1 Purpose of the organization

Mennonite Economic Development Associates (MEDA) is an association of Christians who firmly believe that unleashing entrepreneurship is the best way to alleviate poverty.

MEDA, a not-for-profit corporation without share capital, is incorporated as “Mennonite Economic Development Associates” under the state laws of Pennsylvania, “Mennonite Economic Development Associates of Canada” under the federal laws of Canada, “MEDA Global Inc.” under the federal laws of Canada and “MEDA Europa” under the laws of Germany. “MEDA Trade Company Inc.,” a for-profit subsidiary of Mennonite Economic Development Associates of Canada, is incorporated as a taxable corporation under the provincial laws of Ontario. “Saron MEDA Investments, Inc.” is a for-profit subsidiary of Mennonite Economic Development Associates, incorporated under the state laws of Pennsylvania. “Saron Global Investment Fund, Inc.” is a not-for-profit subsidiary of Mennonite Economic Development Associates, incorporated under the state laws of Pennsylvania.

MEDA operates programs through its offices and partners in Canada, United States, Ghana, Tanzania, Ethiopia, Ukraine, Libya, Jordan, Myanmar, Nicaragua, Nigeria, Kenya and Senegal.

2 Significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

For the purposes of financial statement presentation, the following operations have been consolidated:

- **Mennonite Economic Development Associates**

General operations comprise the combined operations of Mennonite Economic Development Associates, MEDA Global Inc., MEDA Europa and Mennonite Economic Development Associates of Canada operated on a not-for-profit basis.

- **Saron MEDA Investments, Inc.**

Saron MEDA Investments, Inc. is an asset management company.

- **MEDA Trade Company Inc**

MEDA Trade Company Inc. is a controlled profit-oriented enterprise, which provided foreign exchange trading services to organizations involved in economic and social programming. MEDA Trade Company Inc. had no financial activity in the year

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

- **Sarona Global Investment Fund, Inc.**

Sarona Global Investment Fund, Inc. assists the poor through raising and investing capital in ventures that strengthen the economic prospects of certain countries while ensuring modest financial return.

Excluded from consolidation in the financial statements are:

- **MEDA Country Programs**

MEDA Country Programs are not-for-profit operations based in Ghana, Tanzania, Ethiopia, Ukraine, Libya, Jordan, Myanmar, Nicaragua, Nigeria, Kenya and Senegal. MEDA exercises control over these Country Programs as it manages and oversees their operations. A summary of the consolidated financial position and results of operations of the MEDA Country Programs is included in notes to these consolidated financial statements (note 4).

Revenue recognition

MEDA follows the deferral method of accounting for revenue. Restricted funding, which primarily includes grant and contract revenues from various government and other funding agencies, is recognized as revenue in the year in which the related expenses are incurred and all relevant terms of the funding agreement are met. Deferred contributions and deferred grants and contracts at the balance sheet date relate to funding received by that date that is in respect of program expenses to be incurred in future periods.

Unrestricted contributions from individuals, corporations and foundations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All contributions are considered to be available for general use unless specifically restricted by the donor.

Grants received for program purposes are recorded as revenue by MEDA and expensed when disbursed to the various Country Programs based upon relevant criteria. Program-specific grants and contracts signed and executed by a MEDA Country Program are recognized in income by the relevant MEDA Country Program and, as such, are not recorded as revenue by MEDA in these consolidated financial statements.

Cash and short-term deposits

Cash and short-term deposits include cash on deposit, marketable securities and deposits with maturities of less than three months at acquisition.

Loans receivable

Loans are measured at amortized cost. Provisions are made based on management's assessment of the intent and ability of the borrower to pay, taking into account political and economic risk factors.

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

Investments

Investments are made to assist in the creation of business solutions to poverty in developing countries while achieving long-term capital growth. However, the opportunity to realize capital gains depends on a number of factors and management cannot predict the future date at which MEDA will divest of an investment in its portfolio.

The fair value method is used to account for investments in equity instruments that are quoted in an active market.

For investments not carried at fair value and that MEDA controls or significantly influences, the equity method is used. Under the equity method, income or losses are added or deducted and dividends received are deducted from the carrying value of the investment shown on the balance sheet. The cost method is used to account for investments that MEDA does not control or significantly influence.

Capital assets

Capital assets consist of assets for use at administrative offices and are recorded at cost. Amortization is calculated using the straight-line method over the estimated useful lives of the assets. All asset classes are amortized using varying straight-line rates of 3 to 10 years.

Foreign currency translation

Monetary assets and liabilities held in currencies other than the United States dollar are translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are recorded at historical rates of exchange. Exchange differences are recorded in the statement of operations as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Financial instruments

The organization's financial instruments consist of cash and short term deposits, accounts receivable, advances to and due to MEDA Country Programs and partners, loans receivable, accounts payable and accrued liabilities and notes payable. Currency, liquidity and credit risk arising from these financial instruments is disclosed in note 14. The financial instruments are measured at amortized cost.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

Allocation of expenses

MEDA executes development programs, arranges programs and publications for its members, and operates the MEDA Risk Capital Fund. The costs of each function include the costs of personnel, travel, communication, office costs and other expenses that are directly related to providing the program. MEDA also incurs costs for the shared management and support of all programs.

MEDA annually allocates shared support and management costs on an appropriate and consistent basis for each category of costs as follows:

- Human resource, premises, administrative support and information technology costs are allocated proportionately based on the number of staff in each functional area.
- Finance, accounting and marketing costs are allocated proportionately based on time spent by respective staff on each program area.
- Executive management and board costs are allocated proportionately based on time spent by board members and executive staff in each program area.

The amounts allocated are presented in note 15.

3 Cash and short-term deposits

Certain balances included in cash and short-term deposits are advances received from donors to fund specific projects and therefore, they cannot be used for other purposes. Current year balances under such conditions are \$10,252,328 (2019 – \$10,886,249).

4 MEDA Country Programs and partners

Advances to MEDA Country Programs and partners are as follows:

	2020 \$	2019 \$
MEDA Libya	16	46,425
MEDA Ethiopia	-	122,366
MEDA Ghana	111,912	-
MEDA Jordan	8,508	291,375
MEDA Kenya	200,550	80,880
MEDA Myanmar	29,846	22,658
MEDA Nicaragua	12,413	106,916
MEDA Nigeria	117,315	5,639
MEDA Senegal	32,347	-
MEDA Ukraine	177,736	133,288
MEDA Tanzania	53,659	287,826
Other partner agencies	133,927	230,352
	878,229	1,327,725

The advances are non-interest bearing and are unsecured.

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

Amounts due to MEDA Country Programs and partners are as follows:

	2020	2019
	\$	\$
MEDA Ghana	-	25,575
MEDA Ethiopia	29,609	-
MEDA Tanzania	49,490	-
Other partner agencies	9,671	-
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	88,770	25,575
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Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

MEDA Country Programs are not-for-profit organizations with a similar purpose to MEDA and exist to carry out MEDA's purpose in the country in which they are operating. The following Country Programs' financial results have not been consolidated in MEDA's financial statements. Financial statements for each Country Program are prepared separately. A financial summary (obtained from unaudited, internally prepared financial information) of each non-consolidated Country Program at June 30, 2020 and results of operations for the year then ended are as follows:

													2020	2019
	Libya	Tanzania Cassava	Tanzania	Ethiopia	Ukraine	Ghana FEATS	Kenya	Myanmar	Jordan	Nicaragua	Nigeria	Senegal	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets														
Current	16	96,687	152,599	51,113	227,192	168,500	279,506	167,062	168,700	99,132	161,314	46,555	1,618,376	1,912,875
Non-current	-	4,081	17,466	8,916	11,983	22,655	132,267	40,959	49,302	40,011	43,068	29,168	399,876	372,500
	16	100,768	170,065	60,029	239,175	191,155	411,773	208,021	218,002	139,143	204,382	75,723	2,018,252	2,285,375
Liabilities														
Current	16	96,686	162,656	51,117	227,192	165,353	279,506	167,062	168,699	99,132	161,265	46,555	1,625,239	1,928,222
Non-current	-	4,082	-	8,912	11,983	6,702	132,267	2,155	17,100	26,269	19,291	20,454	249,215	119,567
	16	100,768	162,656	60,029	239,175	172,055	411,773	169,217	185,799	125,401	180,556	67,009	1,874,454	2,047,789
Fund balance														
	-	-	7,409	-	-	19,100	-	38,804	32,203	13,742	23,826	8,714	143,798	237,586
	16	100,768	170,065	60,029	239,175	191,155	411,773	208,021	218,002	139,143	204,382	75,723	2,018,252	2,285,375
Results of operations														
Revenues	146,638	1,922,544	2,740,134	1,591,950	1,415,186	1,296,356	1,747,570	1,804,713	3,058,617	817,020	1,743,992	135,603	18,420,323	18,422,726
Expenses	146,638	1,922,544	2,771,488	1,591,950	1,415,186	1,313,798	1,747,570	1,842,319	3,063,009	820,177	1,752,544	126,889	18,514,112	18,522,892
Excess (deficiency) of revenue over expenses	-	-	(31,354)	-	-	(17,442)	-	(37,606)	(4,392)	(3,157)	(8,552)	8,714	(93,789)	(100,166)
Cash flows provided by (used in) operating activities														
	(46,707)	(52,064)	(92,233)	(68,545)	(36,840)	146,215	107,124	72,491	(153,681)	(43,392)	24,293	45,674	(97,665)	99,687

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

5 Loans receivable

The following is a summary of outstanding loans receivable by country:

	2020 \$	2019 \$
Canada	176,555	207,235
Ghana	-	381,796
Nicaragua	1,060,781	3,092,492
Romania	-	200,000
Sierra Leone	208,879	891,114
Tanzania	-	775,000
Ukraine	-	1,514,334
United States	1,497,139	1,287,165
	<u>2,943,354</u>	<u>8,349,136</u>
Less: Provision for uncertainty of collection		
Ghana	-	(256,691)
Romania	-	(200,000)
Sierra Leone	-	(317,499)
	<u>-</u>	<u>(774,190)</u>
	2,943,354	7,574,946
Less: Current portion of loans receivable	<u>396,441</u>	<u>3,892,107</u>
Non-current portion of loans receivable	<u>2,546,913</u>	<u>3,682,839</u>

Loans receivable bear interest rates from 0–12% with maturity dates varying from on demand to 2023 and thereafter.

Scheduled repayments of loans receivable are as follows:

	\$
2021	396,441
2022	747,047
2023	79,484
2024	367,509
2025 and thereafter	<u>1,352,873</u>
	<u>2,943,354</u>

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

Uncertainty of collection

The provision is based on management's best estimate of loan losses to be incurred in future periods and purchase discounts applied to certain investments. Management reviews each loan individually and applies a loan loss provision based on the investee's repayment history and management's knowledge of the investee's operations. During the current year a loan provision of \$nil (2019 – \$217,617) is included with respect to such provisions and reversal of provision is \$317,498 (2019– \$nil).

Related party balances

Loans receivable include \$176,555 (\$239,691 CDN) (2019 – \$207,235 (\$271,395 CDN)) loaned to Saronia Asset Management, Inc. The loan is due in 2026 with 5% interest and principal payments due quarterly.

Direct loans by MEDA Members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be loaned to specified MEDA related projects or companies. Of the loans receivable shown above, \$75,000 is loaned under those conditions (2019 – \$3,062,491). In such cases MEDA acts as a trustee for the lenders and bears no risk for loss on the loans.

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Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

6 Investments

Investments consist of the following:

	2020 \$	2019 \$
Accounted for using the equity method:		
CODIP, S.A., Paraguay – 11.6% of issued and outstanding common shares	1,494,232	1,511,363
MicroVest General Partner and MicroVest Capital Management USA (combined) – 26.4% of outstanding common shares	152,899	366,734
IMON L.L.C., Tajikistan – 8.7% of issued and outstanding common shares	1,157,462	1,715,421
Sarona Frontier Markets Fund 1, L.P., Global – 24.5% (2019 – 22.9%) of contributed capital	2,647,278	3,671,663
Sarona Frontier Markets International Fund 2, L.P., Global – 3.9% of contributed capital	3,673,152	4,445,374
SGGM International 2 L.P., Global – 7.6% of contributed capital	1,101,212	-
Sarona Risk Capital Fund 1, L.P., Global – 38.9% (2019 – 37.3%) of contributed capital	163,662	154,128
Sarona Trade Finance Fund – 11.8% (2019 – 12.0%) of contributed capital	1,501,773	1,465,060
Sarona Asset Management Inc., Canada – 10% of issued and outstanding shares	1	1
MicroVest Short Duration Fund A – 0.5% of contributed capital	590,280	572,440
MicroVest Plus, L.P. – 1.9% of contributed capital	175,322	259,820
MiCredito, Nicaragua – 33.6% of issued and outstanding common shares	1,351,213	1,315,627
Access Africa Fund, LLC – 9.09% of issued and outstanding common shares	117,623	278,340
Mountain Lion Agriculture (SL) Limited, Sierra Leone – 12.7% of issued and outstanding common shares; 34.4% of issued and outstanding preferred shares	584,861	-
EFAfrica Group Ltd. – 11.7% of issued and outstanding common shares	906,679	-
Treetops Capital Agribusiness Fund, L.P. – 0% (2019 – 39%) of contributed capital	-	1
North Kenya Growth Fund – 0% (2019 – 42%) of issued and outstanding shares	-	785
	15,617,649	15,756,757

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(expressed in U.S. dollars)

Accounted for at cost:

Sevis Finansye Fonkoze, Haiti – 1.7% of issued and outstanding common shares	80,436	77,930
MFX Solutions – 0% (2019 – 0.6%) of issued and outstanding shares	-	104,315
Mobile Transactions International – 0% (2019 – 2.2%) of issued and outstanding shares	-	108,740
Women’s World Banking Capital Partners L.P. – 3.1% of contributed capital	1,052,115	1,108,726
Business Partners East Africa LLC. – 4.8% of issued and outstanding shares	1,266,037	1,266,037
SEAF Single Vintage Flex Fund	103,297	136,590
	<u>2,501,885</u>	<u>-</u>
Total investments	<u>18,119,534</u>	<u>18,559,095</u>

7 Capital assets

	2020 \$	2019 \$
Office furniture, leasehold improvements and equipment	1,875,829	1,794,715
Less: Accumulated amortization	<u>641,540</u>	<u>388,058</u>
	<u>1,234,289</u>	<u>1,406,657</u>

8 Deferred contributions

Deferred contributions relate to funding received for specific projects that is in respect of program expenses to be incurred in future periods.

	2020 \$	2019 \$
Deferred contributions – Beginning of year	304,613	181,376
Contributions received during year	6,450,837	10,968,196
Contributions recognized in revenue during year	(6,485,104)	(10,840,371)
Revaluation of foreign currency balances	<u>(5,405)</u>	<u>(4,588)</u>
Deferred contributions – End of year	<u>264,941</u>	<u>304,613</u>

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

9 Notes payable

Notes payable consist of:

	2020	2019
	\$	\$
Everence Association, Inc., interest at 4% (2019 – 3%), due December 31, 2024	500,000	500,000
Kindred Credit Union, CDN \$600,000 (2019 – 600,000), interest at 3% and 4% per annum, due December 31, 2020 and December 31, 2021	441,956	458,155
Everence Federal Credit Union, interest at 1%, due May 5, 2022 administered under U.S. Small Business Administration Paycheck Protection Program	265,558	-
Various promissory notes, interest at rates varying from 0% – 4.0%, with maturities at various dates from 30 days subsequent to demand to March 31, 2025		
US\$ denominated	676,355	3,676,561
CDN\$ denominated CDN \$7,894,438 (2019 – CDN \$7,614,291)	5,814,996	5,814,211
Euro denominated €1,366,857 (2019 – €1,231,857)	1,534,932	1,401,430
	<u>9,233,797</u>	<u>11,850,357</u>
Less: Current portion	<u>3,081,672</u>	<u>3,738,515</u>
	<u>6,152,125</u>	<u>8,111,842</u>

The notes payable are unsecured.

Scheduled repayment of notes payable is as follows:

	\$
2021 and open maturities	3,081,672
2022	2,021,575
2023	2,227,374
2024	1,381,674
2025 and thereafter	521,502
	<u>9,233,797</u>

Expenses include interest paid on long-term notes payable of \$340,043 (2019 – \$214,037).

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

Direct investment by MEDA members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be loaned to, or used to purchase shares in, specified MEDA related projects or companies. MEDA is obligated to repay the funds only to the extent that MEDA is repaid by the investee or is able to sell the respective investment. Of the notes payable shown above, \$75,000 is payable under those conditions (2019 – \$3,062,491).

Notes payable from MEDA Directors

Of the notes payable listed above \$1,473,188 is payable to MEDA Directors (2019 – \$1,527,184).

10 Unrealized investment loss

Unrealized investment loss includes the following:

	2020 \$	2019 \$
(Recovery of) provision for value of loans receivable	(317,498)	217,617
Equity share of loss on investments	1,749,419	983,671
Other	-	(1,428)
	<u>1,431,921</u>	<u>1,199,860</u>

11 Other expenses

Other expenses consist of:

	2020 \$	2019 \$
Recovery of uncollectable accounts receivable or advances to country programs	-	(16,890)
Other	349	669
Foreign exchange losses	285,684	122,889
	<u>286,033</u>	<u>106,668</u>

12 Related party transactions and balances

MEDA holds a 10% ownership interest in Sarona Asset Management, Inc. Accounts payable include \$117,118 owing to Sarona Asset Management, Inc. as at year-end (2019 – \$129,534).

Expenses for the year include \$475,816 (2019 – \$511,975) in management fees paid to Sarona Asset Management, Inc.

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

13 Contingencies and commitments

Minimum lease commitments

The organization has minimum lease commitments for Canadian and U.S. office premises of:

	\$
2021	383,641
2022	368,063
2023	350,106
2024	351,024
2025 and thereafter	1,364,468

Commitments

MEDA has outstanding forward currency contracts for the purchase of \$3,000,000 CDN (2019 – \$7,000,000 CDN) in December 2020. MEDA has provided a general security agreement and restricted \$250,000 CDN in cash and short-term deposits as security against the forward currency contracts.

Contingencies

MEDA receives grants and contracts from donors, some of which are subject to audit and assessment in future periods.

14 Financial instruments

Fair value

The fair values of the organization's financial instruments recorded as current on the balance sheet are approximated by their carrying values due to their short-term maturity. It is not practicable to determine the fair value of loans receivable as these loans are provided to organizations that are often unable to obtain alternate financing and due to the uncertain political and economic conditions that exist in certain countries. Nor is it practicable to determine the fair value of investments as these investments are in private companies in low income countries where no open market for the investments exists and uncertain political and economic conditions exist in certain countries.

It is also not practicable to determine the fair value of notes payable given that the organization receives funds at below market rates and because repayment requirements for some notes are limited by the amount MEDA receives from the related investments.

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

Currency risk

The organization's assets and liabilities include balances that are denominated in foreign currencies consistent with the purpose of the organization. The organization holds forward currency contracts, but remains exposed to significant currency risk.

Credit risk

Consistent with the purpose of the organization, the lending of monies internationally and in areas with less stable political and economic climates exposes the organization to increased credit risk. The organization establishes provisions for uncertainty of collectability as disclosed in note 5.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations as they fall due, without raising funds at unfavourable rates or selling assets on a forced basis. Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirement of MEDA's business have been met primarily by funds generated from operations. Cash provided from these sources is used primarily for payment of operating expenses. MEDA maintains a cash balance to meet liquidity requirements. At June 30, 2020, MEDA has cash of \$18,817,259 (2019 – \$17,892,517).

15 Allocation of expenses

Shared support and management costs have been allocated to the functional areas in the following amounts:

	Human resource, premises, admin and IT \$	Finance and accounting \$	Executive management \$	Marketing \$	2020 \$	2019 \$
Constituency engagement	70,190	13,157	83,444	183,642	350,433	311,664
Development programs	942,181	871,382	168,460	110,548	2,092,571	2,223,324
Resource development	166,459	37,446	159,036	309,897	672,838	615,985
MEDA Risk Capital Fund	-	90,073	77,499	-	167,572	209,229
	<u>1,178,830</u>	<u>1,012,058</u>	<u>488,439</u>	<u>604,087</u>	<u>3,283,414</u>	<u>3,360,202</u>

Mennonite Economic Development Associates

Notes to Consolidated Financial Statements

June 30, 2020

(expressed in U.S. dollars)

16 Government remittances

MEDA had \$nil outstanding government remittances as at June 30, 2020 (2019 – \$nil).

17 Significant event

During the last quarter of the fiscal year, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic has disrupted economic activities and has impacted MEDA's operations in various ways, including halting global travel and its workforce working remotely. Although, the current impacts of the pandemic have not significantly impacted the operational results of MEDA, its investment portfolio or the operations of the various Country Programs, the full duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on MEDA's investment portfolio and its future ability to deliver the various Country Programs.

Mennonite Economic Development Associates
Supplementary Consolidating Schedules
For the year ended June 30, 2020

(expressed in U.S. dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europa \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
Cash and short-term deposits (note 3)	9,210,437	9,363,595	243,227	-	-	-	-	18,817,259
Accounts receivable	416,615	283,307	-	-	-	-	-	699,922
Advances to MEDA Country Programs and partners (note 4)	749,866	128,363	-	-	-	-	-	878,229
Work-in-progress	127,331	-	-	-	-	-	-	127,331
Prepaid expenses	114,600	34,570	-	-	-	-	-	149,170
Due from related parties	-	4,080,621	267,957	-	-	-	(4,348,578)	-
Current portion of loans receivable (note 5)	30,660	365,781	-	-	-	-	-	396,441
Loans receivable (note 5)	815,895	1,731,018	-	-	-	-	-	2,546,913
Loans receivable from related parties	14,205,912	-	-	-	-	-	(14,205,912)	-
Investments (note 6)	3,674,490	14,445,144	-	-	-	-	(100)	18,119,534
Capital assets (note 7)	1,157,105	77,184	-	-	-	-	-	1,234,289
Total assets	30,502,911	30,509,583	511,184	-	-	-	(18,554,590)	42,969,088
Accounts payable and accrued liabilities (note 14)	637,437	224,394	-	-	-	-	-	861,831
Deferred contributions (note 8)	175,688	89,253	-	-	-	-	-	264,941
Deferred grants and contracts	6,449,154	4,416,462	-	-	-	-	-	10,865,616
Due to related parties (note 13)	4,081,506	-	167,072	-	-	100,000	(4,348,578)	-
Due to MEDA Country Programs and partners (note 4)	88,770	-	-	-	-	-	-	88,770
Current portion of notes payable (note 9)	2,711,114	370,558	-	-	-	-	-	3,081,672
Notes payable to related parties	-	14,205,912	-	-	-	-	(14,205,912)	-
Notes payable (note 9)	5,532,125	620,000	-	-	-	-	-	6,152,125
Total liabilities	19,675,794	19,926,579	167,072	-	-	100,000	(18,554,490)	21,314,955
Unrestricted net assets	10,827,117	10,583,004	344,112	-	-	(100,000)	(100)	21,654,133
Total liabilities and equity	30,502,911	30,509,583	511,184	-	-	-	(18,554,590)	42,969,088

Mennonite Economic Development Associates

Supplementary Consolidating Schedules ...continued

For the year ended June 30, 2020

(expressed in U.S. dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europa \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
Revenues								
Grants and contracts	18,478,412	3,507,499	-	-	-	-	-	21,985,911
Contributions (note 8)	2,827,166	3,215,059	442,879	-	-	-	-	6,485,104
Contributions from related organizations	693,711	-	-	-	-	-	(693,711)	-
Consulting and program management fees	4,411,784	1,257,476	-	-	-	-	(748,746)	4,920,514
Realized investment income	320,659	567,821	-	-	-	-	(296,556)	591,924
Convention and tour fees	-	179,280	-	-	-	-	-	179,280
Other	40,688	534,203	-	-	-	-	(314,595)	260,296
	<u>26,772,420</u>	<u>9,261,338</u>	<u>442,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,053,608)</u>	<u>34,423,029</u>
Expenses								
Development programs	25,176,735	5,551,131	-	-	-	-	(958,909)	29,768,957
Resource development	819,100	946,201	-	-	-	-	-	1,765,301
MEDA Risk Capital Fund	309,670	1,071,568	-	-	-	-	(296,556)	1,084,682
Constituency engagement	306,275	881,517	-	-	-	-	-	1,187,792
Unrealized investment loss (note 10)	(151,278)	1,583,199	-	-	-	-	-	1,431,921
Other (note 11)	862,747	-	221,429	-	-	-	(798,143)	286,033
	<u>27,323,249</u>	<u>10,033,616</u>	<u>221,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,053,608)</u>	<u>35,524,686</u>
Excess of revenues over expenses (expenses over revenues) for the year	<u>(550,829)</u>	<u>(772,278)</u>	<u>221,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,101,657)</u>